

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 09135 051608Z

46

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PRS-01

PA-01 USIA-06 NEA-06 EA-06 OPIC-03 /108 W

----- 092067

P R 051455Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 6743

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY LONDON

USMISSION OECD PARIS

LIMITED OFFICIAL USE BRASILIA 9135

E.O.11652: N/A

TAGS: ENRG, BR

SUBJECT: BRAZILIAN PETROLEUM DEVELOPMENTS

1. SUMMARY: FOR PAST WEEK BRAZILIAN PRESS HAS BEEN PLAYING UP NEWS OF PETROBRAS OIL STRIKE 80 KILOMETERS OFF-SHORTE FROM CITY OF CAMPOS IN RIO DE JANEIRO STATE. WHILE LEADING PAPERS HAVE COUNSELLED CAUTION, GENERAL THRUST OF PRESS COVERAGE HAS BEEN ONE OF GREAT OPTIMISM THA BRAZIL HAS MADE BREAKTHROUGH TOWARD SELF-SUFFICIENCY, OR EVEN EXPORT POTENTIAL, IN OIL. GOVERNMENT SPOKESMEN HAVE ABETTED AND EXOURAGED NATIONAL WAVE OF EUPHORIA. PRESS HAS BEEN CARRYING NEWS REPORTS THAT PRESIDENTIAL PALACE IS FOLLOWING PROGRESS OF DRILLING OPERATION NEAR CAMPOS BY THE HOUR, MINISTER OF MINES UEKI AND PRESIDENT OF PETROBRAS HAVE PERSONALLY VISITED EXPLORATION SITE, AND FINANCE MINISTER SIMONSEN HAS PROJECTED POSSIBILITY OF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 09135 051608Z

1,000,000 B/D NATIONAL OIL PRODUCTION BEFORE THE END OF THE DECADE.

GENERAL TENOR OF GOVERNMENT AND PRESS COMMENT IS THAT BRAZIL'S ECONOMIC PROSPECTS HAVE BEEN ALTERED DRASTICALLY BY THESE DEVELOPMENTS. NEWS HAS TRIGGERED BOOM ON BRAZILIAN STOCK EXCHANGE AND PRESS CARRIES REPORTS THAT BRAZIL'S CREDIT STANDING HAS BEEN REVISED SHARPLY UPWARDS ON INTERNATIONAL FINANCIAL MARKETS. TECHNICAL AND INDUSTRY SOURCES GIVE CAUTIOUS ENDORSEMENT OF BRAZILIAN OPTIMISM. THEY STRESS THAT IT IS TOO EARLY TO TELL HOW GOOD CAMPOS FIELD IS BUT THAT RESULTS SO FAR LOOK PROMISING. MESSAGE BASED ON REPORTING BY CONGEN' RIO AN SAO PAULO AS WELL AS INFORMATION DEVELOPED BY EMBASSY. END SUMMARY.

2. ON NOVEMBER 25, PETROBRAS ANNOUNCED THAT OFFSHORE DRILLING RIG IN CAMPOS AREA HAD LOCATED "NEW AND IMPORTANT OIL DEPOSIT" IN LIMESTONE FORMATION AT DEPTH OF 3,150 METERS. APPARENTLY, 120 METERS OF LIMESTONE FORMATION, ESTIMATED TO BE 400 METERS THICK, HAVE BEEN DRILLED: ALL OF IT REVEALS PETROLEUM. PRELIMINARY OUTPUT ESTIMATE FOR WELL IS 5,000 B/D, WITH POSSIBILITY THAT FURTHER TESTING WILL RESULT IN UPWARD REVISION. OIL IS OF A GOOD QUALITY, 31 DEGREE GRAVITY, LOW IN SULPHUR CONTENT (.14 PERCENT). SEISMIC DEFINITION SHOWS LIMESTONE STRUCTURE TO MEASURE SOME 30-40 SQUARE KILOMETERS. EXTRAPOLATING FROM THESE DATA, MINISTER OF MINES Ueki HAS SUGGESTED THAT IF WHOLE STRUCTURE BEARS RECOVERABLE OIL, FIELD MIGHT ULTIMATELY BE SHOWN TO HAVE RESERVES ON ORDER OF 800-900 BILLION BARRELS. THERE ARE TWELVE SIMILAR FORMATIONS IN VICINITY. TWO OF PETROBRAS' 16 OFFSHORE DRILLING RIGS ARE CURRENTLY OPERATING IN CAMPOS AREA. PETROBRAS IS REPORTED TO BE INTERRUPTING OPERATIONS ELSEWHERE AND MOVING ADDITIONAL RIGS TO THE CAMPOS SITE.

3. OVER THE PAST WEEK, THE BRAZILIAN PRESS, HAS BEEN PLAYING THE CAMPOS DISCOVERY BIG, WITH HEADLINES AND NUMEROUS FEATURES DEVOTED TO BRAZILIAN OIL DEVELOPMENTS. THE TWO LEADING PAPERS, O ESTADO DE SAO PAULO AND JORNAL DO BRASIL, HAVE URGED "REALISM" AND PRUDENCE UNTIL EXTENT OF OIL DISCOVERY IS BETTER ESTABLISHED. THE LARGE MAJORITY OF THE PRESS HAS PROVIDED HIGHLY OPTIMISTIC ACCOUNTS OF THE DISCOVERY AND ITS IMPLICATIONS, WITH SOME PAPERS PREDICTING SELF-SUFFICIENCY WITHIN TWO YEARS (CURRENT CONSUMPTION IS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 09135 051608Z

ABOUT 800,000 B/D, DOMESTIC PRODUCTION OFFICIALLY ESTIMATED AT 180,000 B/D) AND SPECULATING ABOUT A BRAZILIAN EXPORT POTENTIAL BEFORE THE END OF THE DECADE.

4. THE GOVERNMENT'S PUBLIC POSTURE HAS GENERALLY BEEN ONE OF STIMULATING AND ENCOURAGING NATIONAL WAVE OF OPTIMISM. ON NOVEMBER 27 PETROBRAS PRESIDENT ARAKEN DE OLIVEIRA ACKNOWLEDGED THAT THE CAMPOS FIELD OFFERED FAVORABLE

PROSPECTS BUT CAUTIONED AGAINST EXCESSIVE OPTIMISM, NOTING THAT IT WOULD TAKE SIX MONTHS TO A YEAR TO ESTABLISH THE MAGNITUDE OF THE DISCOVERY. BY WEEKEND, HOWEVER, REPORTS IN PRESS SPOKE OF "CLIMATE OF EUPHORIA" IN GOVERNMENT CIRCLES, PRESIDENTIAL PRESS SPOKESMAN WAS QUOTED AS STATING THAT "INITIAL FORECAST" OF 400,000 B/D HAD BEEN SUPERSEDED BY SUBSEQUENT DEVELOPMENTS AND THAT THERE WAS "POSSIBILITY" THAT OUTPUT OF ALL BRAZILIAN FIELDS COULD REACH ONE MILLION B/D (TIME NOT SPECIFIED). FINANCE MINISTER SIMONSEN FURTHER CONTRIBUTED TO SENSE OF NATIONAL CELEBRATION BY MENTIONING THIS POSSIBILITY IN A SPEECH TO GROUP OF AUTOMOTIVE INDUSTRY REPRESENTATIVES, PROMISING THE INDUSTRY A BETTER AND MORE TRANQUIL FUTURE. MINISTER OF MINES UEKI, AFTER INITIALLY DISPLAYING SOME SKEPTICISM, HAS NOW JOINED RANKS OF GOVERNMENT LEADERS DISPLAYING OPTIMISM AND CONFIDENCE: ALTHOUGH A CLOSE READING OF HIS INTERVIEWS SHOWS CAREFUL PHRASING AND KEEN AWARENESS OF TENTATIVENESS OF ESTIMATES. ON THE OTHER HAND, ALL GOVERNMENT SPOKESMEN CONTINUE TO STRESS THE NEED FOR A NATIONAL CONSERVATION POLICY.

5. EVALUATION: TECHNICAL AND INDUSTRY SOURCES ALL STRESS THE TENTATIVE NATURE OF ESTIMATES AND GENERALLY PREFER TO RESERVE JUDGMENT, WHILE EMPHASIZING THAT BRAZIL HAS GOOD GROUNDS FOR CONSIDERABLE OPTIMISM. NEWS ABOUT OIL DEVELOPMENT, TRADITIONALLY, IS PLAYED BIG HERE, AND PUBLIC EXPECTATION FOR CAMPOS OFFSHORE FIELD HAS BEEN HIGH FOR SOME TIME: DIFFERENCE IS THAT FOR FIRST TIME BRAZIL HAS BEEN ABLE TO ACHIEVE SIGNIFICANT STRIKE IN LIMESTONE FORMATION -- AFTER THEN PREVIOUS UNSUCCESSFUL EFFORTS IN THE AREA. NEVERTHE LESS, THREE TECHNICAL DIRECTORS OF PETROBRAS CONTACTED BY CONGEN IO IN SEPARATE INTERVIEWS, PREFER TO RESERVE JUDGMENT. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BRASIL 09135 051608Z

GULF OIL EXECUTIVES, VISITING RIO AND BRASILIA, STRESSED THAT IT WAS TOO EARLY TO ESTABLISH RESERVE ESTIMATES BUT THAT BRAZIL HAD GOOD REASON TO BE OPTIMISTIC. (IF GULF HAD MADE FIND, THEY WOULD BE ELATED). CONGEN SAO PAULO REPORTS THAT UK EMBASSY HAD OBTAINED INFORMATION FROM PETROBRAS SOURCES AND FROM SHELL THAT CAMPOS OIL FIELD PRODUCTION WHEN ADDED TO THAT FROM PRESENT DOMESTIC SOURCES, COULD WELL PROVIDE 75 PERCENT OF BRAZIL'S DOMESTIC REQUIREMENTS WITHIN FOUR TO FIVE YEARS.

6. PETROLEUM NEWS HAS PROVIDED GOOD MORALE BOOSTER TO GEISEL ADMINISTRATION AND TO COUNTRY. IT ALSO HELPS MAINTAIN AND STRENGTHEN CONFIDENCE IN BRAZILIAN ECONOMY AT A TIME CONCERN AND DOUBTS HAVE BEGUN TO

DEVELOP ABOUT BRAZIL'S BALANCE OF PAYMENTS OUTLOOK OVER THE NEXT FEW YEARS. AS CONGEN RIO NOTES, THERE HAS BEEN CONSIDERABLE SPECULATION WITHIN RIO BUSINESS AND FINANCIAL CIRCLES AS TO WHY MIISTER OF FINANCE SIMONSEN , RATHER THAN MINISTER OF MINES AND ENERGY UEKI OR PETROBRAS PRESIDENT ARAKEN, ANNOUNCED THAT CAMPOS WOULD PRODUCE ONE MILLION BARRELS A DAY BY 1979 AND, INDEED, WHY ANY GOB OFFICIAL WOULD MAKE SUCH A PUBLIC PROGNOSIS IF THE CAMPOS RESULTS DO NOT YET SUBSTANTIATE IT. GENERALLY EXPRESSED VIEW IS THAT REGARDLESS OF HOW IMPORTANT CAMPOS DISCOVERY REALLY IS, THE GOB IS USING IT TO BOLSTER CONFIDENCE IN BRAZILIAN ECONOMY AND TO HELP HEIGHTEN THE STATUS OF THE GEISEL ADMINISTRATION IN THE AFTERMATH OF THE RECENT ELECTIONS. MOST OBSERVERS CONTACTED BELIEVE THAT GOB'S EFFORT DURING THE PAST WEEK HAS MADE IMPACT ON BOTH COUNTS.

7. THERE ARE SOME DEBITS, HOWEVER. THE NATIONAL EUPHORIA AND THE SHARP RISE IN THE STOCK MARKET MAY RESULT IN AN EXPANSIONARY MOOD WHICH COULD COMPLICATE ECONOMIC POLICY. AND TOGETHER WITH THE RECENT ELECTION RESULTS, THIS DEVELOPMENT MAY MAKE IT LESS LIKELY THAT THE GOVERNMENT WILL PERMIT THE PARTICIPATION OF FOREIGN CAPITAL, IN JOINT ARRANGEMENTS WITH PETROBRAS, IN OIL EXPLORATION IN THE NEAR TERM.

JOHNSON

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 BRASIL 09135 051608Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, PETROLEUM PRODUCTION, PETROLEUM CONCESSIONS, EXPLORATORY DRILLING, LABOR STRIKES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL09135
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740353-0295
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741259/aaaabyhn.tel
Line Count: 201
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 01 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 MAY 2002 by elyme>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN PETROLEUM DEVELOPMENTS
TAGS: ENRG, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005